



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

THE QUARTERLY

OF THE

TEXAS STATE HISTORICAL ASSOCIATION

VOL. XIV.

OCTOBER, 1910.

No. 2.

The publication committee and the editors disclaim responsibility for views expressed by contributors to THE QUARTERLY.

THE STATE FINANCES OF TEXAS DURING THE RECONSTRUCTION

E. T. MILLER

POLITICAL

Although General Lee surrendered early in April, 1865, the break-up of the Confederacy did not occur in Texas until the end of May. Disorganization of all authority followed, and in the general confusion confederate and state property was appropriated by disbanded soldiers and even the state treasury at Austin was looted. The loss of property, however, was small and the disorder little when viewed against the background of bitter disappointment and uncertainty of the future which the people of the state felt on account of the downfall of the Confederacy.

The arrival at Galveston on the nineteenth of June of General Gordon Granger initiated the first provisional government—a mongrel of civil and military rule, but predominantly military. A. J. Hamilton, who had been appointed on June 17 provisional governor of Texas by President Johnson arrived at Galveston on July 21, and proceeded soon to Austin to take office. After some delay a registration of those citizens of the state who would take the oath of amnesty was made and an election of delegates to a constitutional convention was ordered. The convention met in Austin on February 7, 1866, and was in session eight weeks. In the election that followed the conservative ticket, or that endorsing President Johnson's policy for the restoration of the state govern-

ments, headed by J. W. Throckmorton, was successful, and the amendments to the constitution were adopted. The newly elected government took possession on August 13, 1866, and on August 20 President Johnson declared by proclamation that the insurrection in Texas was at an end. The restoration to a normal state of civil government that was being made and the amelioration of general conditions that was taking place were terminated, however, by the reversal by Congress of President Johnson's policy. Under the provisions of the so-called Reconstruction Acts, passed in March and July of 1867, Texas became a part of the Fifth Military District, and went again under a provisional form of government which lasted from August 8, 1867, to January, 1870. Again, also, the process of emergence from the provisional form was gone through with, and another constitution was adopted and another election of state officials was held. E. J. Davis was the new governor-elect, and his administration, which is known as the period of radical rule, lasted three full years. It was undermined by the election of a democratic legislature,—the famous thirteenth,—in November, 1872, and fell and was swept away by the election in December, 1873, and the inauguration on January 15, 1874, of Richard Coke as governor.

Although the Reconstruction as a political condition ended at the close of 1873, and though the financial policy came under the control of new hands at the beginning of that year, the finances of the state were slow in recovering from the effects of the war and radical rule, and it was nearly a decade before a normal condition was again reached. The period treated in this study, however, extends from the close of the war through August 31, 1874.

EXPENDITURES

The character and movement of expenditures are exhibited in Appendix A (page 110). The table there presented shows only the amount of warrants drawn during each fiscal year; and, owing to a continued treasury deficit, in only one year, 1868, are the amount of cash paid out of the treasury and the amount of warrants drawn the same. However, as the warrants drawn were demands upon the treasury which were eventually met, the table represents the policy pursued with respect to expenditures.

The cost of administering the state government was fluctuating but on the whole showed an upward tendency until 1870, and after that year took a violent rise. The multiplication of state employees and especially the increase in salaries and contingent expenses worked to swell the cost of running the several departments. The constitution of 1866 extended the term of office of the governor to four years and provided for a salary of \$4000, which was an increase of \$1000 over the former figure. This was further increased in 1870 to \$5000. The secretary of state, the treasurer, and the comptroller each received annual salaries of \$1800, and the commissioner of the general land office, \$2000, until 1866, when all were increased to \$2500, and in 1870 they were further increased to \$3000. Chief clerks after 1870 received \$1400 to \$1600. By the constitution of 1866 the number of judges of the supreme court was enlarged from three to five, and the minimum salary raised from \$3000 to \$4500. The minimum salary of district judges also was raised from \$2250 to \$3500. These substantial increases in salaries were ill-timed and were beyond the ability of the tax-paying public. The claim for an increase on account of high prices was stronger during the war, but neither the general price level nor the opportunities in private life at this time warranted the increases provided.

Occasions of large annual expenditures were the sessions of the legislature, and to this cost of law-making may be added that on account of the constitutional conventions. Legislative sessions were frequent and long and were taken up largely with private legislation which could have been avoided to a great extent by a general corporation law.¹ The legislature, however, was not extravagant in the matter of outlays on itself either to the same degree or in the same fashion that characterized other southern legislatures of this period. Expensive chamber furniture and other furnishings, and champagne and cigars to enable committees to endure better their arduous labor do not shame Texas legislative annals as they do those of states which, like South Carolina, were ridden by carpet-baggers. There were, though, improper expenditures which were cloaked under the blanket appropriation for con-

¹Message of Governor Davis, January 10, 1871; the *San Antonio Daily Herald*, April 20, May 8, and June 11, 1873; *Proceedings of Taxpayers' Convention*, Austin, 1871, p. 21.

tingent expenses; pet partisan newspapers were generously subscribed for; and the mileage and per diem provided were unprecedentedly liberal.¹

While the state departments and the legislature claim a part of the growth of expenditures after 1870, the bulk of the growth is ascribable to other objects. The cost of the judiciary more than doubled, but the organization of new courts and the activity of the state's prosecuting agents account largely for this. The increase in fee payments to sheriffs and prosecuting attorneys was marked, but the fee system was no more abused at this time than under later administrations. After 1871 disbursements from the available school fund took a leading place among the state's expenditures. The use of the assets of the school fund during the war and the failure, due chiefly to inability, to make restoration or reparation to that fund resulted in a suspension of its functions until their revival by the act of 1871. There was expended out of this fund during 1872, 1873, and 1874, \$1,489,675, as against \$37,885 from 1865 through 1871. Beginning in 1871 the protection of the frontier settlements against marauding Indians and Mexicans called for large annual outlays. The need of protection became manifest immediately after the war, and failure of the federal government to extend it forced the state to perform the duty. Despite expenditures during the four years, 1871-1874, of \$524,963, the protection extended was held to be inadequate.² The expenditures on this account were subsequently refunded to the state by the national government, but not during the period of the Reconstruction. In 1888, \$922,541.52 was refunded; in 1891, \$148,615.97. These amounts were refunded under the act of Congress of June 27, 1882, and reimbursed the state for all expenditures of this character between 1866 and 1882. Expenditures for the asylums, especially for the insane, increased during this period, but no exception can be taken to the better provision for the unfortunate wards of the State. There appears to have been some jobbery, however, in connection with the purchase of sup-

¹Reconstruction Journal, 1868, p. 47; the San Antonio Daily Herald, June 11, December 22 and 29, 1868; Flake's Daily Bulletin, August 27, 1868; message of Governor Davis, January 14, 1873.

²The San Antonio Daily Herald, September 6, 1871.

plies for the asylums and the repairs of public buildings.¹ Except in 1869, when a large amount was expended for support, the penitentiary was not an expensive institution. The expediency of leasing it and the labor of the convicts was suggested in 1868 and was carried out in 1871. Thereafter the only expense of the state in connection with it was for the transportation of prisoners.

Perhaps the most obnoxious of the measures of the E. J. Davis administration was that providing for a system of state police. Warrants drawn on account of the state police and the state militia,—almost wholly, however, for the police,—amounted during the period 1871-1874 to \$688,091, or 15 per cent of the total of warrants drawn on the general revenue fund. The personnel of the police body, their abuse of authority, and the fact that they performed functions which belonged to the local governments, led to the abolition of the system by the democratic legislature in 1871.²

Texas narrowly escaped during this period the subsidizing of railroads with bonds,—a policy that characterized a number of southern reconstruction governments and which resulted in grievous financial burdens to the states. The constitution of 1866 empowered the legislature to guarantee the bonds of railroad companies to any amount not exceeding the sum of \$15,000 per mile. No resort was made to this provision because the constitution of 1866 was short lived, and the provision was believed to be in conflict with section 33 of the constitution, which prohibited the legislature from contracting a debt to exceed \$100,000, except in case of war, to repel invasion, or suppress insurrection.³ The constitution of 1869 shut out land grants to any but actual settlers, but permitted bond subsidies to internal improvements. By the act of August 5, 1870, incorporating the International Railroad Company, a subsidy in 8 per cent, thirty-year bonds of \$10,000 a mile, was granted, and an *ad valorem* tax upon all taxable property sufficient to pay the interest and contribute to a 2 per cent sinking fund was authorized. The state pledged itself in this act that its

¹Report of Committee on Asylums, House Journal, 14th Legislature, p. 14; report of Committee on Public Buildings. *Ibid.*, p. 161.

²Ramsdell, *Reconstruction in Texas*, 302, 312.

³Report of Committee on Judiciary, House Journal, 11th Legislature, p. 733.

bond subsidies to works of internal improvement should not exceed \$12,000,000.¹ An act carrying a subsidy of \$6,000,000 in 8 per cent, thirty-year bonds to a road that should cross the state from east to west and reach the Pacific Ocean was opposed by the governor, and it was only when the bill had passed the legislature after two vetoes that he withdrew his opposition.² A bill that proposed to subsidize the East Line and Red River Railroad Company with 7 per cent bonds to the amount of \$30,000 a mile was effectively vetoed.³ It was provided in the act chartering and subsidizing the Pacific road that when the state should have power under the constitution to grant lands in aid of internal improvements, a land grant should be substituted for the bond subsidy, and this substitution was made in 1873, following the adoption of an amendment to the constitution authorizing land donations. Bonds for the subsidy to the International road were signed by the governor, but when presented to the comptroller to be countersigned and registered, that officer refused. The company thereupon brought suit to compel the signature of the comptroller, but the supreme court of the state reversed the judgment of the district court awarding a peremptory mandamus and dismissed the case on the ground that the judicial department of the government had no authority to interfere with the executive department in the performance of duties not ministerial in character.⁴ Unblushing bribery was charged in connection with the passage of this International subsidy, and though the jury of a district court found the allegation of fraud to be untrue, the charges were so rife and upon such high authority as to give them credence.⁵ It was a cause of wonder at the time that members of the twelfth legislature whose income was their per diem should at the end of the session be able to buy fine horses and furniture and to travel north.⁶

¹Act of August 5, 1870, Section 10. Gammel, *Laws of Texas*, V, 606.

²House Journal, 12th Legislature, p. 1688.

³House Journal, 12th Legislature, p. 881.

⁴*Bledsoe v. the International Railroad Company*, 40 Tex., 537.

⁵*Bledsoe v. the International Railroad Company*, 40 Tex., 537; message of Governor Coke, January 12, 1875; the *San Antonio Daily Herald*, October 4 and 20, and November 24, 1870; the *Houston Daily Telegraph*, February 23 and October 19, 1871.

⁶Clippings from the *State Gazette* and *Flake's Bulletin* in the *San Antonio Daily Herald*, September 27 and October 20, 1870.

Except for the increase in salaries under the Throckmorton government and the wastefulness of the constitutional convention of 1868, the expenditures to 1870 were not excessive. This is not true, however, for the period of the Reconstruction thereafter. Expenditures then were beyond the ability of the state, and the best evidence thereof is that despite heavy taxation, bonds were sold to pay current expenses and a large floating debt was accumulated. The twelfth legislature exhibited a degree of profligacy and of open disregard of the state's economic condition that clinches it in the niche of notoriety that it holds in Texas legislative history. Matters might have been worse, though, and that they were not so was due mainly to the integrity of the governor in the administration of the public finances.¹

RECEIPTS²

The chief source of receipts during this period was taxation, and the main tax was, as in previous periods, the *ad valorem* tax upon real and personal property. The work of assessment and collection was performed until 1870 by an assessor and collector, but thereafter assessment was by the justices of the peace, and collection by the sheriff of each county. Under the provisional governments assessment and collection were subject to special difficulties. The war had disorganized the machinery of administration, and in many of the counties it was impossible, owing to the opposition of the people to military authority, to secure an assessor and collector. In 1868, for example, thirty-nine counties out of one hundred and twenty-five had vacancies in the office. It was not infrequent, too, that those who qualified were inexperienced, inefficient, or corrupt.³ Despite these difficulties, however, receipts from taxes before 1870 were, proportionately to the rate and the total assessments, more satisfactory than after 1870. This better showing was due, in the first place, to the more rigid collection under the military authorities, and, in the second place, to less burdensome rates. A number of circumstances contributed to the disarrange-

¹Ramsdell, *Reconstruction in Texas*, 318.

²See Appendix B, page 112.

³Comptroller's report, 1868-9, p. 4. In 1870 defaulting and delinquent officers were due the State \$350,000. Comptroller's Report, 1870, p. 20.

ment of the tax system during this period, however. The escape and undervaluation of real estate was favored by the provision of the laws which permitted its rendition either in the county of its *situs* or in the county of residence of the owner or agent. Furthermore, the failure to get tax titles sustained by the courts because of the seeming impossibility for assessors and collectors to comply strictly with all the details of the laws regarding sale for taxes, robbed legal coercion of payment of its terrors.¹ Further, the tax year ended December 1, which resulted in the collection of taxes during the summer or fall, or the seasons of greatest scarcity of money for the farmers.² Back taxes piled up as a consequence of these circumstances, and strenuous efforts were made to collect them. The act of November 12, 1866, required the compilation of a list of all lands on which taxes were due from 1849 to 1866, and provided for their sale. In 1865 and 1866, 791,000 acres, and in 1867 and 1868 the unprecedented number of 7,800,000 acres, were sold to the state for unpaid taxes.³ This act was later nullified, and the attempt was again made in 1870 to collect back taxes, but failed because of the governor's veto of the appropriation to carry it out.⁴ Subsequent attempts were of the nature of commutation for all unpaid amounts by payment of three or five times the amount of the current taxes.

The feature of taxation under radical rule and the circumstance which more than any other explains the ill-working of the tax system is that state and local taxes together constituted too great a burden. In 1865, the state *ad valorem* rate was 12½ cents on the \$100 valuation; in 1866 and 1867, 20 cents; in 1868, 1869, and 1870, 15 cents; in 1871, 1872, 1873 and 1874, 50 cents. In 1868, there was in addition to the regular tax of 15 cents, a special tax of 20 cents to pay the expenses of the constitutional convention. In 1868, the state and county *ad valorem* taxes amounted in Bexar county, for example, to \$1.10 on the \$100 valuation, and in 1870, to \$1.12½. Besides these there were state and

¹Acting-Provisional Comptroller's Report, 1866; Comptroller's Report, 1868-9, p. 7; message of Governor Coke, April 19, 1876.

²Comptroller's Report, 1874, p. 3.

³Comptroller's Report, 1868-9, p. 110.

⁴Message of Governor Davis, January 10, 1871.

county income, salary, poll, and occupation taxes, and city taxes.¹ In 1871, combined state and county *ad valorem* rates amounted at a conservative estimate to \$2.175, and there were besides the state and county poll and occupation taxes, and city taxes.² In 1869, collected state and local taxes of all kinds aggregated \$1,129,577; in 1872, assessed state and county *ad valorem* and occupation taxes and local taxes for public schools amounted to \$4,584,275.³ All of our statistics indicate an increase in taxation that was enormous. Assuming 10 per cent as a low average rate of interest on loanable capital, state and county taxes of \$2.17 would be equivalent to an income tax of 21 per cent. No government would dare to levy an income tax at such a figure, and it should be no surprise that the imposition of this rate indirectly through the property tax occasioned bitter complaint and led to the undervaluation and escape of property. Conventions of tax-payers were held in a number of counties, and as a culminating protest a convention of the tax-payers of the state was held in Austin on September 22, 23 and 25, 1871, with two hundred and seventeen delegates present representing ninety-four counties.⁴ This convention was called by the radicals, "a body of sulks and soreheads," but these epithets ill apply to ex-Governors Throckmorton, Pease and Hamilton and to the other leading men who were delegates.⁵

In estimating the weight of taxation upon the people of the state during this period certain federal taxes need to be considered. The sum of the direct tax of 1861 apportioned to Texas was \$355,106.66. By an ordinance of the convention of 1866, the state assumed the payment of this tax, and the comptroller was authorized to effect settlement if possible by setting off against the amount due the amount owed Texas by the national government on account of advances by the state for frontier defence, unpaid

¹The San Antonio Daily Herald, April 9, 1868, November 18, 22, 26, and December 22, 1870.

²Proceedings of the Taxpayers' Convention, Austin, 1871, p. 22. See also Clegg v. the State, 42 Tex., 605.

³Census of 1870, Vol. III; message of Governor Davis, January 14, 1873.

⁴Proceedings of the Taxpayers' Convention, Austin, 1871, pp. 5-8; the Houston Daily Telegraph, August 13, 25, September 5, 8, 19, 20, 1871; the San Antonio Daily Herald, September 26 and 27, 1871; the Austin Democratic Statesman, September 23 and 26, 1871.

⁵The Austin Daily Journal, September 21, 1871, *et passim*.

bonds of the United States held by the state, etc.¹ Nothing came of this, and by an act of November 13, 1866, the governor was authorized to have assessed and collected upon all real property a tax of 28 cents on each \$100 of value of such property rendered for the year 1861, and any deficiency was to be made up from the state revenue account.² Nothing came of this measure either, however, and all that was collected of the tax was that effected by the United States internal revenue agents in 1865 and 1866. Up to the time of the suspension of collection by the act of Congress of July 28, 1866, there was credited to Texas \$180,841.51, leaving the amount uncollected \$174,265.16.³

More burdensome than the direct tax was the federal tax upon cotton which was levied from 1864 to 1867. It was 2 and 3 cents a pound and its collection was rigidly enforced. The total paid by Texas was \$5,502,401.⁴

Besides the general property tax, the state levied income, business and poll taxes. The income tax levied during the war was not an income tax in the strict sense of the term but was really an occupation tax. Governor Throckmorton recommended certain changes in it, the chief ones being that the rates should be graduated and that there should be an exemption.⁵ His suggestions were carried out in the act of November 6, 1866.⁶ This act provided that there should "be levied on and collected from every person, firm, corporation, or association, doing business within this state, at any time during the year 1866, and in every year thereafter, an annual income tax, as follows: on the first \$1000 of net taxable income, a tax of 1 per cent; on the second, a tax of 1½ per cent; on the third, fourth and fifth, a tax of 2 per cent; and on all taxable income above \$5000, a tax of 3 per cent."

¹Gammel, *Laws of Texas*, V, 891.

²Gammel, *Laws of Texas*, V, 1175.

³House Executive Document, No. 159. Forty-ninth Congress, Second Session; Dunbar, "The Direct Tax of 1861," in *Quarterly Journal of Economics*, III, 450, 453; the Southern Intelligencer, May 10 and June 7, 1866. By the act of Congress of March 2, 1891, refunding the direct tax, Texas received \$180,886.72. This amount was held in trust for, and distributed to, those who paid or their heirs, until March 2, 1897, when the balance of \$66,197.89 reverted to the general treasury of the state.

⁴51 Cong., 1 Sess., House Report, No. 683.

⁵House Journal, 11th Legislature, Regular Session, p. 79.

⁶Gammel, *Laws of Texas*, V, 1009.

This tax was known as the "income tax." It was provided also "that upon the salaries of all salaried persons, serving in any capacity whatever, except upon persons in the army or navy of the United States, or those whose salaries are \$600 or less per annum, an annual tax of one-half of 1 per cent on all sums over \$600 so received" should be levied. This tax was known as the "salary tax."

In the assessment of the income tax the sworn schedule provided for a statement of the gross income and the deductions therefrom. The following deductions were allowed: from all incomes, when returned by heads of families, \$600; losses on real estate, if purchased within the year; interest, taxes; amount actually paid for rent of homestead; and salaries. In addition to these, rent, insurance, and other expenses were allowed to be deducted from the profits of trade; from the rent of land, the average annual outlay for the repair of fences was deductible; and from the rent of buildings, actual repairs, not to exceed 10 per cent of the rent and insurance paid by the owner; from farming operations, the amounts paid for labor, repairs, live stock bought and sold during the year, insurance, and interest on any incumbrance upon the farm.¹

It is to be noted in regard to the assessment of the income tax that no use whatever was made of the principle of stoppage at the source. The salary tax also was self-assessed.

The income and salary taxes were in operation five years, or from 1866 to 1870. The returns, and especially those of the salary tax, were small. The law was poorly drawn and laxly administered, and evasion was wholesale. In 1867, no incomes were assessed in forty-two and no salaries in one hundred and one out of one hundred and thirty-three counties; in 1868, no incomes were assessed in sixty-one out of one hundred and thirty-six counties, and no salaries in one hundred and fifteen counties.²

The business taxes levied during this period were the customary specific occupation taxes, the income tax as described above, and

¹Act of November 10, 1866, Gammel, *Laws of Texas*, V, 1058. See *Millar v. Douglass*, 42 Tex., 288.

²Comptroller's Report, 1868-9. Income tax assessed in 1867, \$38,892; salary tax assessed in 1867, \$1186; *ad valorem* and poll taxes assessed in 1867, \$354,418; income tax assessed in 1868, \$14,600; salary tax assessed in 1868, \$1086; *ad valorem* and poll taxes assessed in 1868, \$310,626; per cent of income and salary taxes to total assessed taxes in 1867, 10; in 1868, 4.8.

the special tax upon the receipts of railroad, telegraph and insurance companies. The occupation tax embraced a widening range of vocations as time went on, and especially after the discontinuance of the income tax in 1870. It is interesting to note that in 1866 an *ad valorem* tax on money loaned and on merchandise higher than the general *ad valorem* tax was levied under the guise of an occupation tax. This feature, which was observable in antebellum taxation and represented a spirit of hostility to money lenders and merchants, does not reappear in subsequent acts. The occupation taxes were frequently changed, and those upon the retail liquor business particularly showed violent fluctuations. There were defects in the laws levying them and laxity of administration, especially in the matter of light penalties for non-payment and of the absence of checks upon collections.¹

This period is important in the history of corporation taxation by the state for the attempt to make use of special corporation taxes. Until 1870, the method of taxing corporations was by the property tax and the income tax. In 1870, there was levied, in addition to the general property tax, an annual tax of 2 per cent upon the gross receipts of railroad, insurance, and telegraph companies.² In 1871, this was changed, and railroad and telegraph companies became subject to a tax of 1 per cent upon net receipts, life insurance companies to an annual occupation tax of \$500, fire and marine insurance companies to one of \$250. A few days later a tax of 1 per cent upon gross receipts was substituted for the 2 per cent tax upon net receipts. This combined use of the property and the receipts tax was thought to operate unfairly upon railroads as compared with telegraph companies because of the greater amount of tangible property owned by the railroads, and an increase in the tax upon telegraph companies to 5 per cent of their gross receipts was suggested.³ The legislature, however, passed a bill which relieved railroads of taxation by the property tax, but it was vetoed by the governor on the ground that since the counties were not allowed to tax the receipts of railroads, fairness required that the

¹Comptroller's Report, 1874, p. 56.

²Gammel, *Laws of Texas*, VI, 373, 390.

³Message of Governor Davis, April 24, 1871. House Journal, 12th Legislature, Second Session, p. 1198.

ad valorem tax should not be remitted.¹ The result of this difference of opinion between the governor and the legislature was the repeal of the receipts tax, leaving only the *ad valorem* property tax applicable.² Corporations got off with comparatively light taxation, and for the first time in the state's tax history there appeared complaints of the working of the property tax as applied to corporations.³

A poll tax of \$1 was levied throughout the Reconstruction period. Until 1871 it applied to all males over twenty-one years of age, thereafter to those only between twenty-one and sixty years, with the usual exceptions of Indians and persons *non compos mentis*. The tax of 1871 and thereafter was for the benefit of the public schools. The penalty for failure to pay this tax was that the person failing should not receive any money due him from the state or the county until the tax with interest had been paid. That there was considerable evasion of the tax may be inferred from the fact that whereas the census of 1870 reported the number of males of twenty-one years of age and upward at 169,258, the number assessed for the poll tax in 1869 was only 95,895.⁴

Next to taxation the chief source of receipts was the sale and hypothecation of bonds. The attempt was made during the Throckmorton administration to issue frontier defence bonds, but it was unsuccessful. Upon the establishment of the Davis administration, however, the issue and sale of bonds began. Receipts from sale and hypothecation during the four years 1871-4 amounted to \$1,406,650.60 as compared with \$3,900,766 derived from taxation.

Receipts from the sale of land were negligibly small on account of the policy of giving away the public domain to actual settlers. Heads of families without a homestead were entitled to one hundred and sixty, single men to eighty, acres. The conditions attached to the gift were three years' residence upon the land and payment of the land office fees. The convention of 1868 granted

¹Message of Governor Davis, November 28, 1871. Senate Journal, 12th Legislature, Second Session, p. 466.

²Act of December 1, 1871. Gammel, *Laws of Texas*, VII, 57.

³Message of Governor Davis, January 14, 1873. House Journal, 13th Legislature, p. 20.

⁴Census of 1870, Vol. I; Comptroller's Report, 1870, p. 85.

to Texans who had served in the Union army a bounty of land which varied from eighty to three hundred and twenty acres per man. Previous to the constitution of 1869 and after the adoption of the constitutional amendment of 1873 grants also were made to railroads, and nine of the roads chartered during 1873 and 1874 received grants. School lands and certain other lands were reserved from location by settlers or railroads, but only a small amount of them were sold, and that during the early part of the period. One of the merits of the Reconstruction governments is that the school, university, and asylum lands were not suffered to be spoliated. No provision for their sale was really made until 1874.

SCHOOL FUND

At the beginning of this period the assets to the credit of the school fund were \$1,753,317 of 6 per cent railroad bonds, \$320,367.13 of 6 per cent state bonds, and \$19,474 in state warrants.

The amended constitution of 1866 reserved to the school fund its former endowments of securities and lands, but it did not provide, as had the old constitution, that a part of the annual revenue of the state derived from taxation should belong to the fund. As a result, the receipts during the five years 1866-1870 were from lands and railroad bonds only and were insignificant in amount. The constitution of 1869 made some important changes. Endowments theretofore made were confirmed, and all of the proceeds of the public domain, one-fourth of the annual revenue from taxation, and a poll tax of \$1 were granted. By the act of August 13, 1870, the present division of the school funds into a permanent fund and an available fund was made. Under the new tax provisions a total of \$1,053,625 was received by the available fund during the four years 1871-1874. Apportionment, which had been suspended since the war, was begun in 1872, the per capita varying between \$1.81 and \$1.95. As there was little local taxation to supplement the state apportioned funds, the school facilities afforded were meager, but any facilities at all represented a step forward. Such opposition as was expressed to taxation for schools was not against the state taxes but against the taxes which the county or school districts were empowered to levy. Most strongly protested was the 1 per cent *ad valorem* tax which the directors of

each school district could, by the act of April 17, 1871, levy for the purpose of building schoolhouses and maintaining schools.¹

A question which came up for consideration during this period, and which was of great importance to the school fund, was the adjustment of the indebtedness of the railroad companies to the fund. The act of November 10, 1866, gave the companies the privilege of paying the interest past due in installments, the last payment to be made June 1, 1870. During 1867 and 1868, \$60,871.73 was paid. On March 1, 1868, the companies owed \$450,140.08 on account of accrued interest, and \$1,753,317 as principal, or a total of \$2,203,457.08.² The Reconstruction Convention of 1868-9 was disposed not to be lenient with the companies. It granted relief to the Houston and Texas Central, to which was joined the Washington County railroad, and to the Southern Pacific, but the Houston Tap and Brazoria and the Texas and New Orleans were ordered sold.³ Relief was extended to all the roads by the act of August 13, 1870, permitting payment every six months of interest and in addition 1 per cent toward a sinking fund. The only road sold for failure to accept these provisions was the Houston Tap and Brazoria. The amount obtained from this sale was \$130,000.⁴ The Houston and Texas Central and the Southern Pacific were permitted to exchange for their indebtedness new 7 per cent bonds, and the Central was further favored by having credit allowed it for the sums paid for interest in treasury warrants during 1864 and 1865.⁵ The validity of the payments of state warrants during the war was subsequently contested, however, but settled in favor of the railroads. Interest payments were resumed by the companies in 1871, but the experience with them was responsible for the constitutional provision that future investments of the school fund should be in United States bonds.

In 1868, \$82,168.82 in 5 per cent state bonds appeared among the assets of the permanent school fund. These bonds replaced

¹Proceedings of the Tax-payers' Convention, Austin, 1871, pp. 17, 22 and 27; Kinney *v.* Zimpleman, 36 Tex., 554. See also Clegg *v.* the State, 42 Tex., 605.

²Comptroller's Report, 1868-9.

³Gammel, *Laws of Texas*, VI, 58, 89, 47 and 48.

⁴Comptroller's Report, 1871.

⁵Gammel, *Laws of Texas*, VI, 58, 89 and 325.

that amount of cash which was derived from the payment of United States bonds belonging to the fund and which had been used by the state government. They were regarded as a valid debt of the state, but no interest was paid on them. The 6 per cent bonds for \$320,367.13 which were executed to the fund during the war in funding state treasury warrants received from railroads in payment of the interest and principal of their indebtedness, were not recognized as a valid debt during this period.¹

UNIVERSITY FUND

The university fund had been depleted of its assets by the legislation of 1860 and was possessed of nothing at the beginning of this period except some state warrants and a comptroller's certificate of indebtedness, both of which were of doubtful validity.

The constitution of 1866 reserved to university purposes the previous grants, but the constitution of 1869 made no reference whatever to the subject. The act of November 12, 1866, provided for the issue to the fund of \$134,472.26 of 5 per cent state bonds to replace the United States bonds and interest on same which were appropriated in 1860. No interest was paid on this debt, however, during this period. Measures were passed in 1870 and 1871 authorizing the sale of the university lands, but they were vetoed by Governor Davis on the ground that there existed no necessity for sacrificing these lands.² The act of April 8, 1874, provided for the sale of the lands, however, and the receipts under this act are the only ones accruing to the fund from any source during the Reconstruction period.

AGRICULTURAL AND MECHANICAL COLLEGE

By the act of Congress of 1862 and the supplementary act of 1866, Texas received from the United States land scrip for 180,000 acres for the purpose of establishing an agricultural and mechanical college. This scrip was sold in 1871 at 87 cents an acre, the amount realized being \$156,600. This was quite as well as other states did in the sale of their scrip, but representing as it did some

¹Message of Governor Davis, August 6, 1870.

²Veto message of May 29, 1871.

of the best land of the national domain, it was unfortunate that it could not have been held for sale till a later date.¹ The proceeds were invested in \$174,000 7 per cent frontier defence bonds of the state and in \$12,000 10 per cent bonds of Brazos county; \$12,000 of the proceeds were drawn under the pretence that it was necessary to purchase the lands required for the location of the college, but the money was loaned and the comptroller held unpaid notes for it; \$21,096 also was expended for a worthless foundation for the main building.²

PUBLIC DEBT

The amended constitution of 1866 limited the debt that could be contracted by the legislature to \$100,000, except in case of war, to repel invasion, or suppress insurrection. And the convention of 1866, in conformity with the fourteenth amendment to the constitution of the United States, declared the debt created in aid of the war null and void, and the civil debt contracted between January 28, 1861, and August 5, 1865, except warrants issued in payment of services, or liabilities incurred, before January 28, 1861, also was nullified.³ The arguments advanced in support of repudiating the civil debt were: first, that it consisted largely of treasury warrants which had been issued with the intention of their circulation as money, and were therefore in violation of article VII, section 8 of the amended constitution of 1861; second, that the assumption of this debt would bankrupt the state; third, that the warrants were in the hands of domestic speculators who had evaded military service during the war; and, fourth, that a large amount of the debt had been contracted for the persecution of Union sympathizers.⁴ Opposing arguments were based on the injustice to those who had furnished their services and goods to the state institutions and civil departments and on the effect the repudiation would have on the credit of the state.⁵

¹The San Antonio Daily Herald, April 14, 1871.

²House Journal, 14th Legislature, p. 119.

³Gammel, *Laws of Texas*, V, 887, 900.

⁴Ramsdell, *Reconstruction in Texas*, 102.

⁵Convention Journal, 1866, p. 117; House Journal, 11th Legislature, p. 193.

The Throckmorton administration of 1866 authorized the issue of \$500,000 8 per cent frontier defence bonds, and created an auditorial board. None of the frontier bonds were issued, but pursuant to the convention ordinance of April 2, 1866, providing for the issue of 5 per cent bonds to take the place of the United States bonds and interest coupons transferred from the university fund in 1860 and those appropriated since the close of the war belonging to the common school fund, \$134,472.26 of 5 per cent state bonds were issued to the university fund and \$82,168.82 to the school fund.¹

The auditorial board of 1866, up to the time of the close of its work, estimated the valid debt of the state at \$332,436.90, but of this amount it had audited only \$149,145.34. Of this latter amount \$6894.24 had been issued since the close of the war. The board issued \$125,000 6 per cent bonds, known as the Throckmorton bonds, to take up a part of the audited debt, the balance, or \$24,045.34, being represented by certificates of debt. This determination of the debt was not regarded as a full statement and, besides, was not thought to adhere to the requirements of the constitution.²

The constitution of 1869 is unique among Texas constitutions for the absence of any limit to the debt-creating power of the legislature. It said simply that upon the creation of state debt, adequate means for the payment of the current interest and a 2 per cent sinking fund should be provided. This constitution also contained the provision which pronounced the war debt, military and civil, void, and went a step beyond the ordinance of 1866 with the provision that "all unpaid balances, whether of salary, per diem, or monthly allowances, due to employes of the state, who were in the service thereof on the said 28th day of January, 1861, civil or military, and who gave their aid, countenance or support to the rebellion then inaugurated against the government of the United States," were forfeited, and all the 10 per cent interest warrants issued during the war for non-interest warrants were declared paid and discharged. The repudiation of the civil debt in 1866 and this additional repudiation by the constitution of 1869 were

¹Gammel, *Laws of Texas*, V, 1126; Comptroller's Report, 1870.

²Comptroller's Report, 1868-9, p. 1; Comptroller's Report, 1870, p. 8.

not enjoined by national law and they can not be justified by any moral sense.

A bill was introduced in the called session of the twelfth legislature in 1870 to audit and ascertain the public debt, but it was not passed until the eve of adjournment and did not receive the signature of the governor.¹ At the regular session, however, a similar measure was passed and became a law.² The auditorial board created by it reported under date of September 1, 1871.³ It stated that it had been unable to find any error in the auditing by the board of 1866, with the exception of \$10,283.13 allowed as interest on non-interest warrants. In regard to the unpaid balances due on January 28, 1861, and the 10 per cent interest warrants exchanged during the war for non-interest warrants, the validity of which was interdicted by the constitution of 1869, the board said that the former character of claims would not exceed \$10,000, that the warrants exchanged amounted to \$78,466.51, and that the board of 1866 had funded \$40,000 of these claims in 6 per cent bonds. The new board further stated that the holders of these bonds refused to submit them for cancellation. On account of the higher interest (10 per cent) which the valid portion of the claims would bear if re-audited as compared with the 6 per cent interest which the bonds bore, it was estimated that the state would save only about \$25,000 by repudiating the claims. In view of these circumstances, the board recommended that the action of the board of 1866 be confirmed, and this was adopted by the act of November 13, 1871.⁴ As a result of the action of the two auditorial boards a total debt of \$251,047.84 was recognized.⁵ While a small portion of this amount,—the records do not disclose how much,—was incurred after the close of the war, it may be regarded as the pre-Reconstruction debt due individuals.

The beginning of the Reconstruction debt proper was in 1870. By the act of August 5, 1870, the issue of \$750,000 of 7 per cent gold bonds, redeemable after twenty years and payable after forty

¹Comptroller's Report, 1870, 10.

²Act of May 2, 1871, Gammel, *Laws of Texas*, VI, 969.

³House Journal, 12th Legislature, Second Session, p. 66.

⁴Gammel, *Laws of Texas*, VII, 27.

⁵Comptroller's Report, 1874, p. 77.

years, was authorized to meet the appropriations made for maintaining ranging companies on the frontier.¹ Authority was given also to levy a tax sufficient to pay the interest and provide a sinking fund for the bonds, and the governor was empowered to sell or hypothecate the issues at the best price obtainable, the commission on sale, however, being restricted to not more than 1 per cent. The governor and the comptroller and treasurer were at loggerheads for a time, the latter officers declining to give their signatures to the engraver on the ground that it would place the credit of the state in the engraver's hands.² Only three hundred and fifty of the bonds were sold during this period and these in the year 1871 and at an average price of 89.4. The gross amount received was \$313,200, which, after deducting commissions, left a net amount of \$312,200.³ Of the three hundred and fifty sold, one hundred and seventy-four were exchanged for cash held in the Agricultural and Mechanical College fund, leaving only one hundred and seventy-six disposed of to outsiders. These circumstances attest a difficulty of sale due to lack of faith in the state's credit. The interest on these bonds was met and a sinking fund was established. The sinking fund, however, was not invested in United States bonds, but was used to retire the frontier defence bonds, and up to August 31, 1874, \$53,000 of these bonds had been redeemed.

Beginning with the fiscal year 1870 there were annual deficiencies in the current revenue, and bond sales were resorted to for the purpose of making ends meet. In May, 1871, \$400,000 10 per cent bonds, redeemable in lawful currency of the United States after two years and payable after five years, were authorized to cover the deficiencies of 1871 and 1872, and in December, 1871, an issue of \$2,000,000 7 per cent, twenty year bonds, were authorized for deficiency purposes. There were no restrictions as to the price at which these bonds should be sold, and in the case of the December issue no limit as to the commission that might be paid for sale.⁴ In May, 1873, \$500,000 10 per cent bonds, redeemable after three

¹Gammel, *Laws of Texas*, VI, 219. These are known as the frontier defence bonds.

²The San Antonio Daily Herald, September 7, 1870.

³Statement of the Comptroller. House Journal, 16th Legislature, First Session, p. 79.

⁴Gammel, *Laws of Texas*, VI, 1008; VII, 65.

years and payable after ten years, were authorized for the purpose of funding state warrants.¹ There were sold in 1871 and 1872 two hundred and fifty-two of the deficiency bonds authorized by the act of May 2, 1871. At an average price of 93.5 they yielded gross \$235,870.74, but with commissions deducted the net amount received was \$229,375.94, and \$156,433.47 of this amount was received in state warrants.² None of the deficiency bonds authorized by the act of December 2, 1871, were sold, and only \$89,800 of the 10 per cent funding bonds were issued up to August 31, 1874. In addition to bonds sold, three hundred and fifty of the frontier defence and one hundred of the deficiency bonds were hypothecated with Williams and Guion of New York for \$327,074.70.

Excluding \$650,000 of debt authorized by the act of March 4, 1874, because it represents a measure of the administration which succeeded the Reconstruction, there was added to the funded debt of the state up to August 31, 1874, a gross amount of \$900,900. There was redeemed during the period \$57,100 of debt, so that the net addition was \$843,800. There was besides a floating debt of \$1,568,826.31, making a total debt contracted before January 14, 1874, or the date when the democratic administration succeeded the radical, of \$2,412,626.31. There was also the debt due the school and university funds which was classed as of doubtful validity and which amounted to \$809,311.67. The sum of the recognized and the doubtful debt is \$3,221,937.98. Deducting \$950,321.88,—which is the sum of the debt ascertained by the auditorial boards of 1866 and 1871 (\$251,047.84), the debt of doubtful validity with accrued interest due the university fund, and the indebtedness to the school fund under the act of November 15, 1864,—as the amount of pre-reconstruction debt, there remains \$2,271,606.10. This latter amount is the debt imputable to Reconstruction. The portion of this which was incurred during the Davis administration is approximately \$2,172,262.21.

The debt policy of the reconstructionists is open to sharp criticism. The issue of bonds to meet deficiencies in the revenue when caused by extravagance in expenditures is illegitimate financiering

¹Gammel, *Laws of Texas*, VII, 571.

²House Journal, 16th Legislature, First Session, p. 79.

and is to be wholly condemned. The funded debt also existed in five different shapes and was issued under as many different statutes. A debt issued under more uniform provisions would probably have been more inviting to capitalists. Considering, however, the character of the state government at this time and the doubtfulness of state credit generally, the prices at which the bonds were sold were fair.

The result of the large floating debt was injustice to creditors, an added cost to the state for supplies purchased, and collusion between officials and creditors in the payment of warrants.¹ The discount on warrants was as much as 50 per cent, and the spectacle was presented of men and boys employed by merchants to stand in the treasurer's office from morning until night to watch for deposits.² Suggestions were made for paying warrants according to their date or number, and for making them receivable at the treasury in discharge of debts due the state, but neither of these was adopted, though the former would seem to have been desirable. As soon as the new administration came into power the payment of warrants dated before January 15, 1874, was temporarily arrested, but they were allowed 8 per cent interest from date of registration with the comptroller.³

But for the chance obstinacy of the comptroller and the opposition of the governor, Texas would have issued from the Reconstruction period saddled with a heavy debt representing subsidies to railroads. The state was under moral obligation to the International Railroad Company to adjust its claim to a subsidy, because construction of the road had begun and the company had otherwise met the conditions of the chartering act. The blocking of the will of the legislature and of the governor in this matter by the comptroller, while his action redounded to the welfare of the state, was, to put it mildly, extraordinarily presumptuous. In the

¹Message of Governor Coke, February 10, 1874. Warrants outstanding on the general revenue fund amounted on August 31, 1872, to \$544,745.24; on August 31, 1873, to \$679,404.83; on August 31, 1874, to \$628,370.23, and warrants outstanding on the school fund at the latter date amounted to \$104,577.74.

²House Journal, 12th Legislature, Second Session, p. 435; message of Governor Davis, January 14, 1873; message of Governor Coke, February 10, 1874.

³Act of March 7, 1874. Gammel, *Laws of Texas*, VIII, 241.

adjustment of the matter a very respectable element favored a subsidy and thought that this kind of aid generally would be the most effective in securing railroads. The cost, however, which this policy would have involved would have been beyond the ability of the state, and the grant of land and exemption from taxation for twenty-five years to the International company and land grants to other companies is to be regarded as a wise solution of the vexed question.

CONCLUSION

The salient features of the Reconstruction financial period of Texas history are the large growth of expenditures, the great increase in taxation, and the rapid accumulation of a comparatively heavy debt. The finances do not indicate the rule, however, of such venal and pillaging adventurers as infested other southern states with carpet-bag governments. At the same time there was more open abuse of public trust than at any other period of the state's history. An adjutant-general was guilty of defalcation of about \$30,000,¹ the funds of the treasury department were used for a time to abet private ends and its books fell into "reckless disorder,"² petty jobbery existed in supplying state institutions, and bribery was charged on high authority to have been instrumental in securing the subsidy to the International railroad.

¹House Journal, 13th Legislature, p. 34.

²House Journal, 13th Legislature, p. 27.

APPENDIX A

TABLE I.—STATEMENT OF WARRANTS DRAWN ON THE GENERAL REVENUE FUND¹

	Oct. 13, 1865— June 30, 1866	Aug. 14, 1866— July 31, 1867 ²	Year Ending Aug. 31, 1868	1869	1870	1871	1872	1873	1874
Executive Office.....	\$4,173		\$8,308	\$8,262	\$8,944	\$14,843	\$18,879	\$18,963	\$32,008
Mansion and Grounds.....	454		3,077	26	9,513	1,543	3,798	2,288	2,143
State Department.....	5,241		5,780	4,875	7,591	9,586	10,385	12,522	10,445
Treasury Department.....	3,442		4,411	7,583	6,537	8,383	8,440	8,914	9,879
Comptroller's Department.....	11,018		16,145	18,071	28,192	23,436	25,644	26,638	41,821
Attorney General's Dept.....	1,185		3,564	3,316	4,516	8,572	9,487	7,350	9,621
General Land Office.....	8,245		27,301	29,958	38,118	48,475	46,936	66,676	74,530
Adjutant General's Office.....			1,849	2,805	17,775	8,313	12,209	8,502	9,589
Public Buildings and Grounds.....	5,068					37,498	7,168	2,465	11,240
Agricultural and Mechanical College.....					650				6,206
Public Health.....			15,263		31,472	25,638	12,007	34,474	46,286
State Penitentiary.....			107,478	121,421	96,544	225,801	246,519	275,814	364,597
Judiciary.....	36,149		1,541	2,442	1,825	11,840	1,767	1,857	1,550
Pensions.....								5,000	53,987
Interest on Public Debt.....				620				34,289	46,350
Debt Payment.....				20,153	15,191	34,135	75,961	58,077	81,398
Insane Asylum.....	10,416		16,952	7,667	6,500	15,791	19,306	15,332	40,026
Blind Asylum.....	15,589		6,502	11,375	11,587	17,317	13,333	19,750	30,493
Deaf and Dumb Asylum.....	67,257		10,375	83,822	279,872	256,300	214,445	283,756	208,566
Legislature.....			112,294				1,250	1,100	100
Department of Insurance, Etc.....						131,988	262,535	124,610	168,957
State Police and Militia.....								1,346	10,686
State Geologist.....						3,000			13,953
Immigration.....				9,406	7,675	13,000	48,212	19,398	53,292
Public Printing.....	27,105		8,492	12,860	20,262	26,949	37,482	33,092	74,138
Miscellaneous.....			877						
Total.....	\$195,852		\$350,209	\$462,263 ³	\$587,764 ⁴	\$926,618 ⁵	\$1,124,935 ⁶	\$1,067,077 ⁷	\$1,409,485

¹The Comptroller's reports for the years given do not present a summary and classified table of warrants drawn as do the reports of the present day. It has been necessary, therefore, to compile this table, and in so doing errors have been unavoidable. In a number of cases the purpose for which the warrant was drawn was not stated specifically enough to enable classification, except under the item miscellaneous. Typographical errors are numerous in the reports, for despite careful checking and the use of the adding machine, it has been found impossible to secure totals which agree with those given in the reports.

²Data lacking.

³This amount exceeds that given in the report by \$199.

⁴This amount is less than that given in the report by \$2,531.

⁵This amount exceeds that given in the report by \$28,742.

⁶This amount exceeds that given in the report by \$17.

⁷Includes warrants drawn for constitutional convention.

APPENDIX A
TABLE II.—STATEMENT OF CASH EXPENDITURES

	1866	1867	1868	1869	1870	1871	1872	1873	1874
General Revenue Fund.....	\$196,415	\$473,160	\$350,209	\$371,107	\$590,305	\$578,161	\$941,214	\$938,761	\$1,248,979
School Fund.....			2,083	3,211	208	32,383	509,393	189,977	790,304
Convention Tax Fund.....				90,957		496		91,388	14,369
Frontier Defence Fund.....						264,834	154,371		
Interest and Sinking Fund of Frontier Defence Bonds.....								34,993	59,131
Debt Purchased out of Special Revenue Fund.....						6,748	46,983		
Miscellaneous Funds.....									396,431
Warrants Received in the col- lection of Revenue.....		9,348				4,280	664		
Total Expenditures, less Re- funds, Warrants received and Bookkeeping Items.....	\$233,089 ¹	\$474,299	\$352,052	\$464,960	\$652,023	\$886,487	\$1,639,856	\$1,252,726	\$2,595,645

¹For the period October 31, 1865 to August 13, 1866.

APPENDIX B
STATEMENT OF CLASSIFIED RECEIPTS

	Oct. 13, 1865— Aug. 13, 1866	Aug. 14, 1866— July 31, 1867	Aug. 31, 1868	1869	1870	1871	1872	1873	1874
Taxes.....	\$341,567	\$336,659	\$408,305	\$578,215	\$436,113	\$523,116	\$954,540	\$1,175,759	\$1,347,351
Interest.....		54,642	6,230			139,530	150,791	160,046	140,979
Land.....		337	1,241	2,227	3,674				1,477
Fees.....		4,736	5,290	6,156	6,922	9,478	19,355	28,272	41,919
Sale and Hypothecation of Bonds.....									
Penitentiary.....				40,846	5,051	264,834	447,814	151,503	542,500
Miscellaneous.....	144,045 ¹	15,076	550	4,327	16,396	10,669	41,869	2,396	32,725
Total.....	\$485,612	\$411,450	\$421,616	\$631,771	\$468,156	\$948,060	\$1,614,369	\$1,532,058	\$2,113,951
Refunds, Bookkeeping Items, and Warrants received in the Collection of Revenue.....	122,945	10,539	241	315	580	416	28,014	2,396	12,569
Total less Refunds, etc.....	\$362,667	\$400,911	\$421,375	\$631,456	\$467,576	\$947,644	\$1,586,355	\$1,529,662	\$2,101,382

¹This amount was made up of \$79,917 derived from the sale of United States bonds and interest coupons; \$16,205 from the Military Board; \$38,533 from the sale of public property; and \$9,390 unclassified.